

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 3485 - SB 3409

March 3, 2010

SUMMARY OF BILL: Creates the Department of TennCare and six divisions within the new Department including the TennCare program, CoverKids, Prescription Drug Program, TennCare Pharmacy Advisory Committee, TennCare Advisory Commission, and the Office of Inspector General. Changes references throughout Tennessee Code Annotated from the Commissioner of Finance and Administration to the Commissioner of TennCare. Transfers all administrative functions of the TennCare program from the Department of Finance and Administration to the Department of TennCare. All reports, documents, books, records, and responsibilities are transferred to the Department of TennCare.

Authorizes the Department to develop prescription drug programs, contract with a pharmacy benefit manager, collect 100 percent of rebates, and implement a preferred drug list and other costs savings measures such as co-payments, step therapy, or mandating the use of generic drugs. Requires the Department to competitively procure an annual study designed to assess the dispensing cost to pharmacies which will be performed by a postsecondary academic institution and include retrospective analysis to provide a current estimate of the cost to dispense. The contractor shall report to the Select Oversight Committee on TennCare and the Commissioner of the Department of TennCare each year beginning January 15, 2011. The Department is authorized to receive, administer, allocate, and disburse any grants to and from other governments and authority to modify or rescind orders, rules, regulations, decisions, or policies in order to administer the Department.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Other Fiscal Impact - There will be a shift in the amount of \$174,971,500 from the Department of Finance and Administration and the Cover Tennessee Health Care Programs to the Department of TennCare due to the transfer of the Office of Inspector General and the CoverKids program.

Assumptions:

- The Bureau of TennCare would not require additional staff, facilities, or other resources to function as a department instead of a division within a department.
- The authority granted to the Department of TennCare is currently authority granted to the Bureau of TennCare.

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- Any cost can be accommodated within existing resources without an increased appropriation or reduced reversion.
- The provisions of the bill will transfer the CoverKids program from the Cover Tennessee Health Care Programs to the newly created Department of TennCare. It is assumed that all personnel and resources will be transferred as well. The proposed FY09-10 budget includes \$170,398,900 in operational funds for the program. Of this amount, \$40,817,300 are state funds and \$129,581,600 are federal funds.
- The Office of Inspector General will transfer from the Department of Finance and Administration to the newly created Department of TennCare. It is assumed that all personnel and resources will be transferred as well. The proposed FY09-10 budget includes \$3,428,700 in personnel and \$1,143,900 in operational funds for the Office.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director

/kml